



OFFICE OF
INSURANCE COMMISSIONER

BULLETIN

NO. 86-8

November 6, 1986

Subject: NOTICES OF RENEWAL AND CHANGES IN RATES OR POLICY PROVISIONS

The 1986 legislative changes to the renewal statute, RCW 48.18.2901, were discussed in Bulletin 86-3, dated April 24, 1986. While the 45-day notice of nonrenewal seems to cause little problem, other aspects of our interpretation of the revised law appear to require clarification. Three items in particular seem to be misunderstood.

(1) An insurer that fails to provide notice 20 days before renewal is not, as some seem to believe, committed to an entire year at the old rates and contract provisions. Unless provisions in the contract itself prohibit such result, a one-time notice changing the contract provisions or its rates may be utilized at any time in connection with a renewal. Thus, where an offer to renew is not given at least 20 days before the renewal date, the policy terms and rates applicable to the expiring policy will continue to be applied to the renewal. Thereafter, if the insurer wishes, it may invoke new policy provisions or rates by giving an appropriate 20-day notice spelling out the changes. The old provisions and rates will continue through the end of the notice period (at least 20 days). Such changes may operate prospectively only, never retroactively.

(2) A written offer to renew must be given to the named insured or his or her representative. In the eyes of the law, the agent is the company, so notice to the agent is never notice to the insured. However, the law does not preclude such notice being delivered by or through the agent. Whatever method is used, agents should not be kept in the dark. At the least, agents should receive copies of notices.

(3) Notices of changes in rates or contract provisions must be reasonably clear and understandable to the insured. We have seen an example of a "laundry list" of all of a company's forms and rate changes with check marks supposedly indicating those that applied to an insured. The notice was unintelligible to the insured and the agent. An insured is entitled to meaningful information, sufficient to understand the changes and, in case of rates, sufficient at least to provide an understandable basis for calculating the new premium.

The late delivery of renewal policies with substantial cost increases has been a very sore point with commercial insurance buyers. We recognize that timely delivery of renewals is easier said than done. It requires data from the policyholder, prompt effort by the agent and early attention from the insurer. The insurance-buying public deserves the best efforts of all concerned.

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Insurance Commissioner